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REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Note by the Secretary-General

Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services on the management audit of United Nations global cargo and motor vehicle insurance programmes. The Secretary-General concurs with the recommendations contained in the report.

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ANNEX

Report of the Office of Internal Oversight Services on the management audit of global cargo and motor vehicle insurance programmes

SUMMARY

A. Results in brief

This report summarizes the management audit by the Office of Internal Oversight Services (OIOS) of two United Nations insurance policies that are of special relevance to peacekeeping, namely the global cargo insurance policy, which insures United Nations shipments worth more than US$ 100 million annually, and the global third-party vehicle liability insurance policy, which provides third-party liability coverage for approximately 20,000 United Nations-owned and military contingent-owned vehicles worldwide.

The audit confirmed that these global insurance programmes are an effective means of protecting the Organization against unexpected losses. However, there were several areas where the administration of these policies requires improvement in order to reduce costs and to provide for the insurance coverage to be taken out in an efficient and coherent manner.

Major findings were as follows:

Global cargo insurance policy

- Neither the Department of Administration and Management nor the Department of Peacekeeping Operations had established formal policy guidelines as to what types of United Nations shipments should and should not be insured, and, as a result, decisions on insurance coverage for shipments of peacekeeping assets between missions were taken on an ad hoc basis without clear policy direction;

- No clear lines of responsibility and accountability had been established in the Department of Peacekeeping Operations for insurance decisions;

- No formal procedures existed for arranging insurance coverage or making insurance claims;

- The condition of cargo had often not been properly recorded before and after shipment;

- Self-insurance could be a cost-effective option for United Nations shipments, but had not been seriously considered by the Organization in the past.

Global motor vehicle insurance policy

- Changes in vehicle fleet sizes in peacekeeping missions were often not reported to the broker, resulting in over- and underpayments of premiums;

- Monitoring of vehicle movements between missions was inadequate, and reporting requirements were often not adhered to, resulting in incomplete and incorrect fleet data;

- There was duplicate coverage on peacekeeping vehicles;

- No verification was made of claims data which serve as a basis for determining future premiums.

B. Recommendations

To ensure that insurance coverage on United Nations cargo shipments is taken out in an efficient and coherent manner, the Office of Internal Oversight Services recommended that a task force be established under the leadership of the Office of Programme Planning, Budget and Accounts to develop formal policy guidelines for the insurance of United Nations shipments. Other recommendations were aimed, inter alia, at establishing clear lines of responsibility for insurance matters at United Nations Headquarters and peacekeeping missions, improving the procedures and work flow for arranging insurance and filing claims, and exploring self-insurance as an alternative to commercial insurance coverage.

To improve the administration of the global motor vehicle insurance policy, the Office of Internal Oversight Services recommended that the Department of Peacekeeping Operations and the Insurance, Claims and Compensation Section of the Office of Programme Planning, Budget and Accounts improve the monitoring of vehicle fleets and the reporting of fleet data to the insurance broker.

I. INTRODUCTION

1. The Audit and Management Consulting Division of the Office of Internal Oversight Services recently conducted an audit of two major United Nations insurance policies that are of special interest to peacekeeping, namely, the global cargo insurance policy and the global motor vehicle third-party liability insurance policy.

2. The United Nations has maintained a global cargo insurance policy with a consortium of underwriters since 1989. The policy was recently renewed for the period from 1 April 1995 to 31 March 1998 at a premium of approximately US$ 1 million per annum. The policy covers all United Nations air, overland and ocean freight shipments of household goods/personal effects and United Nations assets that are reported to the broker of the policy. The policy also insures shipments made by the United Nations Industrial Development Organization (UNIDO) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

3. The global vehicle third-party liability insurance policy covers all United Nations and specialized agency vehicle fleets throughout the world (including United Nations-owned and contingent-owned vehicles at peacekeeping missions). The policy provides excess/difference-in-condition coverage where local insurance is purchased and primary (or first dollar) coverage where local insurance is not used. The current policy has been in place since 1993. It was recently renewed for the period from 1 June 1996 through 1 June 1997 and covers approximately 20,000 vehicles for an estimated total premium of about $4.7 million per annum.

4. The audit sought to determine whether these global programmes for cargo insurance and third-party vehicle liability insurance were being effectively and efficiently utilized in peacekeeping operations and whether the existing administrative procedures and insurance arrangements: (a) satisfied peacekeeping insurance requirements; (b) complied with applicable financial regulations, rules and management directives; and (c) provided an adequate level of internal control. The audit was conducted from June to November 1995 at United Nations Headquarters in New York.

5. The audit included a review of policies, administrative procedures and guidelines and insurance arrangements in place within the Insurance, Claims and Compensation Section, the Office of Programme Planning, Budget and Accounts; the Traffic and Freight Forwarding Units of the Procurement and Transportation Division, Office of Conference and Support Services; and the Logistics and Communications Service of the Field Administration and Logistics Division, the Department of Peacekeeping Operations.

II. GLOBAL CARGO INSURANCE PROGRAMME

A. No policy guidance on the insurance of United Nations shipments

6. The audit disclosed that neither the Department of Administration and Management nor the Department of Peacekeeping Operations had established a policy as to what types of United Nations shipments should and should not be insured under the global cargo insurance policy. The audit also noted that managers in the Field Administration and Logistics Division and the Procurement and Transportation Division were uncertain as to the extent of the United Nations liability for shipments of contingent-owned equipment and whether the Organization had an "insurable interest" in those shipments.

7. Owing to the lack of policy guidance, decisions on insurance coverage for shipments of peacekeeping assets were taken by the Field Administration and Logistics Division on an ad hoc basis. The audit noted, in this context, that from December 1993 through the beginning of 1995, assets with a total value of more than $135 million were shipped from the United Nations Operation in Somalia II (UNOSOM II) to various peacekeeping missions and to the United Nations Logistics Base in Brindisi, Italy. Yet, without a deliberate decision on the part of the Field Administration and Logistics Division, no insurance coverage was taken out on those shipments.

Recommendation by the Office of Internal Oversight Services

To ensure that insurance coverage on United Nations shipments is taken out in an efficient and coherent manner, the Office of Internal Oversight Services recommends that a task force be established under the leadership of the Office of Programme Planning, Budget and Accounts to develop formal policy guidelines for the insurance of shipments, and, once developed, these policy guidelines should be incorporated into the Field Administration Manual. (AP/95/058/001)

8. The Field Administration and Logistics Division and the Office of Conference and Support Services agreed with the findings and recommendations. The Field Administration and Logistics Division pointed out that the Office of Legal Affairs had advised in the meantime that the United Nations did, in fact, have an "insurable interest" in its shipments of contingent-owned equipment. The Office of Programme Planning, Budget and Accounts further advised that preliminary discussions on the forming of a task force had already been conducted and that it had agreed to assume the leadership role in developing formal shipping insurance policy guidelines.

B. Inadequate framework for initiating insurance and making claims on lost or damaged peacekeeping assets

9. The framework for initiating insurance coverage and making claims on lost or damaged assets shipped between peacekeeping missions was inadequate. The audit noted that no clear lines of responsibility and accountability had been established within the Field Administration and Logistics Division for insurance

decisions, and no formal procedures existed for arranging insurance coverage or making insurance claims.

10. The condition of assets transferred from one peacekeeping mission to another often had not been properly recorded by the sending mission at dockside, before loading. There were also considerable delays in the preparation of receiving and inspection reports by recipient missions. As a result, if the assets were received in damaged condition, it was not possible to identify whether the damage had occurred before, during or after the voyage. While acknowledging that exceptional circumstances (e.g., war, rioting, looting, etc.) may complicate the stocktaking of assets prior to loading, the Office of Internal Oversight Services believes that with proper contingency planning, peacekeeping missions should be able to pack the shipments properly and prepare appropriate loading documents in most mission liquidation situations.

Recommendation by the Office of Internal Oversight Services

The Department of Peacekeeping Operations should promulgate clear lines of responsibility for insurance matters within the Field Administration and Logistics Division and at all peacekeeping missions. In establishing these lines of responsibility, the peacekeeping missions should also be instructed to ensure that:

(a) The condition of assets shipped to other missions is recorded by the sending mission prior to loading (especially if insurance coverage has been obtained for the assets);

(b) Receiving and inspection reports are prepared without delay by the receiving mission. (AP/95/058/002)

11. The Field Administration and Logistics Division, the Office of Programme Planning, Budget and Accounts and the Office of Conference and Support Services concurred with the audit findings and recommendations. The Field Administration and Logistics Division also agreed that a more proactive involvement of peacekeeping missions in inspecting and reporting shipments would be necessary in order to pursue an increased number of insurance claims in the future. However, it stated that this would also involve an increase in costs to process the associated paperwork and that an evaluation of the benefits would have to be undertaken as part of an overall policy review.

C. Insurance processing work flow could be improved

12. The preparation of the monthly list of United Nations shipments to be insured and the processing of insurance claims related to these shipments are assigned to two different units in the Procurement and Transportation Division, which, at the time of the audit, were located in two different buildings and belonged to two different sections: the Freight Forwarding Unit, which sends a monthly list of all shipments to be insured (transit insurance report) to the broker, and the Traffic Unit, which is responsible for processing and filing claims with the insurer. The splitting of these functions has created a need

for additional coordination and may cause confusion on the part of those United Nations offices obtaining cargo insurance coverage and filing claims.

Recommendation by the Office of Internal Oversight Services

The Office of Conference and Support Services should combine within one unit of the Procurement and Transportation Division the functions related to the preparation of the monthly report of shipments and those related to the processing of claims. (AP/95/058/003)

13. The Office of Conference and Support Services responded that the recommendation would be taken into account as part of the reorganization of the Procurement and Transportation Division, which was being undertaken, inter alia, as a result of the implementation of the recommendations from a high-level group of experts on procurement.

D. Obligation of funds for cargo insurance

14. The audit revealed that no insurance coverage was taken out on some peacekeeping shipments owing to unclear arrangements for obligating funds for cargo insurance. It was noted that the Freight Forwarding Unit had refused to initiate insurance coverage for the shipments because the requests for insurance were not accompanied by a miscellaneous obligation document. In several cases, the Logistics and Communications Service of the Field Administration and Logistics Division subsequently requested the Finance Management and Support Service of the same Division, to obligate funds for insuring the shipments, but no action was apparently taken on these requests. As a consequence, some shipments for which peacekeeping missions had sought insurance were not insured. After being apprised of this situation, the Financial Management and Support Service issued open miscellaneous obligation documents for freight and related costs for all peacekeeping missions against which the Freight Forwarding Unit can now charge insurance costs upon request by field missions or the Logistics and Communications Service.

Recommendation by the Office of Internal Oversight Services

The Field Administration and Logistics Division should clarify the procedures for obligating funds for cargo insurance in the guidelines to be issued on cargo insurance and consider establishing a separate allotment account for cargo insurance costs to improve control over these expenditures. (AP/95/058/004)

15. The Division agreed with this recommendation and advised that procedures for the obligation of funds for cargo insurance had been clarified in the meantime.

E. Self-insurance should be considered for United Nations shipments

16. The auditors observed that, while many Governments and large organizations have chosen to self-insure or not to insure cargo shipments rather than purchase a commercial insurance policy, the Insurance, Claims and Compensation Section had not seriously considered self-insurance as a possible alternative to the present insurance policy for shipments of assets of the Organization.

17. In attempting to assess the feasibility of self-insurance, the audit reviewed the overall premium/loss performance of the global cargo insurance policy. The audit noted that from 1990 to 1994, the United Nations paid $7.9 million in premiums under the entire programme, while losses amounted to $4 million (a 51 per cent loss ratio, excluding the administrative costs for the insurer). The loss ratio with respect to insurance of shipments of assets of the Organization (excluding UNIDO and UNRWA shipments) was even lower: $4.3 million was paid in premiums while losses amounted to less than $0.7 million (a 16 per cent loss ratio). These data indicate that self-insurance could have been a cost-effective alternative for United Nations shipments.

18. One reason why self-insurance was not considered practical was that high losses could potentially occur in the event of a major disaster (for example, the sinking of a ship). In that regard, the audit noted that the insured value of United Nations shipments between 1990 and 1994 was in excess of $700 million. Therefore, the Office of Internal Oversight Services agrees that the value of shipments insured is indeed a critical factor in any decision to self-insure. However, the potential impact of losses on the annual financial resources of the United Nations could be reduced through the establishment of an insurance reserve fund. Furthermore, the United Nations could consider partial self-insurance by purchasing excess loss coverage, whereby the United Nations would accept liability up to a certain dollar amount and the insurer would be liable for any losses exceeding that amount. Alternatively, a policy decision could be made to insure only high dollar value shipments against total loss. This modality would not require any changes to the insurance policy currently in place.

Recommendation by the Office of Internal Oversight Services

Before a decision is taken on the renewal of the cargo insurance policy, the administration should evaluate the feasibility of self-insurance or partial self-insurance as an alternative to purchasing commercial cargo insurance for the shipment of United Nations assets, and bring its conclusions and recommendations on the matter to the attention of the legislative bodies. (AP/95/058/005)

19. The Office of Programme Planning, Budget and Accounts responded that the issue was complex and could be associated with the work of the cargo insurance policy task force (see para. 8 above). While agreeing that, when viewed in hindsight, there would have been financial savings if a self-insurance regime had been in effect, the Office of Programme Planning, Budget and Accounts stated

that the precarious financial condition of the United Nations required that a strategy of risk aversion be pursued.

20. The Office of Internal Oversight Services agrees that the task force under the leadership of the Office of Programme Planning, Budget and Accounts could be an appropriate forum to explore the feasibility and efficiency of a self-insurance scheme for United Nations shipments. It also continues to believe that the result of this study should be communicated to the legislative bodies. In that regard, the Office of Internal Oversight Services points out that many shipments have not been insured in the past, so that a self-insurance scheme would at least provide a rational decision-making process to protect against potential high losses as opposed to the past practice by which shipments were sometimes insured and sometimes not insured, without any formal policy guidance. In addition, the Office of Internal Oversight Services expects that a self-insurance scheme would eliminate a high number of low value claims and thus considerably reduce the administrative workload for processing claims.

III. GLOBAL THIRD-PARTY VEHICLE LIABILITY INSURANCE PROGRAMME

A. Deficiencies in monitoring and reporting changes in vehicle fleet size resulted in over- and underpayments of premiums

21. The total number of vehicles to be insured in each mission and the corresponding premiums are determined at the beginning of each policy period. The insurance policy provides for subsequent adjustments to the premiums during the policy period only if: (a) the vehicle count increases or decreases by more than 5 per cent in a mission with primary coverage; (b) the vehicle count increases or decreases by more than 5 per cent in the total number of vehicles with excess/difference-in-condition coverage; or (c) a new mission requiring primary coverage is established with more than 25 vehicles for more than 30 days.

22. Since February 1994, the Department of Peacekeeping Operations has had a monitoring system to report changes in its vehicle fleets requiring premium adjustments. Under this system, the peacekeeping missions report their vehicle holdings to the Field Administration and Logistics Division on a monthly basis and the Division, in turn, informs the Insurance, Claims and Compensation Section so that premium adjustments can be initiated with the broker as necessary. However, the audit revealed that the internal control systems of both the Field Administration and Logistics Division and the Insurance, Claims and Compensation Section for monitoring vehicle fleets were inadequate, and established reporting requirements were frequently not adhered to by the peacekeeping missions. As a result, over- and underpayments in premiums have been made to the broker of the policy.

23. The audit found several deficiencies in the monitoring system of the Field Administration and Logistics Division, including the following:

(a) Not all peacekeeping missions reported on a regular basis, even when significant changes occurred in their vehicle fleets, and the Division did not always follow up with the missions on non-submission. During the insurance

policy period from 1 June 1994 to 31 May 1995, for example, two missions did not submit any reports, and two other missions submitted only one report on the size of their fleets, even though the reports were required to be filed on a monthly basis;

(b) The information provided by the Division to the Insurance, Claims and Compensation Section was frequently deficient. Many of the reports did not differentiate between vehicles in use and non-operational vehicles; the number of trucks reported often included trailers that did not require separate insurance coverage; and mobile equipment was included in the past, but was not covered by the insurance until June 1995. For example, the Division notified the Insurance, Claims and Compensation Section in July 1995 that a total of 16,964 vehicles were in the United Nations Peace Forces (UNPF) mission area, whereas the audit's verification of this data showed that only 12,793 vehicles to be insured were in the mission area (the Division's number included trailers and vehicles to be written off); 1/

(c) The Insurance, Claims and Compensation Section was not adequately informed about planned vehicle reductions during the liquidation phase of peacekeeping missions and was not provided with vehicle drawdown schedules for use in planning insurance requirements.

24. Deficiencies were also noted in the monitoring system of the Insurance, Claims and Compensation Section as follows:

(a) The Section was informed by the Field Administration and Logistics Division on 23 November 1994 that as of 31 October 1994, there were 2,854 passenger vehicles, buses and trucks in the UNOSOM II mission area and that several contingents were also beginning to downsize their vehicle holdings. At that time, the United Nations was paying insurance premiums for 3,774 vehicles, buses and trucks. Despite a reduction of more than 5 per cent in the total UNOSOM II vehicle fleet, the Section did not inform the broker as required under the policy for a premium adjustment;

(b) The Section did not report to the broker a 449 per cent increase in the vehicle fleet of the United Nations Assistance Mission for Rwanda during the policy period 1994/95 (321 vehicles at the beginning of the policy period, increasing to 1,442 by December 1994), or a 19 per cent increase in the vehicle fleet reported by the United Nations Mission in Haiti in the same policy period.

25. As a result of the above-described monitoring and reporting deficiencies, a number of variations (increases and decreases of more than 5 per cent) in the size of peacekeeping vehicle fleets were not reported to the broker for premium adjustment as required under the policy. In some cases, vehicle holdings were under-reported, and, hence, premiums were underpaid. In other cases, premiums were paid for vehicles to be written off, trailers not requiring separate insurance coverage and vehicles being shipped to the United Nations Logistics Base for storage. However, owing to data limitations on the vehicle fleets and movements, it was not possible to determine the actual amount of over- and underpayments made.

Recommendations by the Office of Internal Oversight Services

The Field Administration and Logistics Division should ensure that appropriate vehicle fleet data for all peacekeeping missions are sent to the Insurance, Claims and Compensation Section, the Office of Programme Planning, Budget and Accounts, on a monthly basis. (AP/95/058/011)

The Insurance, Claims and Compensation Section should carefully monitor all variations in the size of the vehicle fleets and promptly notify the broker of any changes requiring premium adjustments. (AP/95/058/012)

With regard to future mission liquidations, the Field Administration and Logistics Division should apprise the Insurance, Claims and Compensation Section in advance of vehicle drawdown schedules so that the broker may be notified accordingly of planned reductions in the vehicle fleets. (AP/95/058/013)

The Field Administration and Logistics Division, together with the Insurance, Claims and Compensation Section, should determine the actual amount of over- and underpayment made to the insurance company since mid-1993, settle accounts with the broker accordingly and recover amounts, if any, overpaid. (AP/95/058/014)

26. Both the Office of Programme Planning, Budget and Accounts and the Field Administration and Logistics Division acknowledged that the internal control systems over peacekeeping vehicle fleets, from fleet management to insurance reporting, required improvement. Both offices agreed to work towards a premium reconciliation with the broker, with due allowance to the gaps and softness in the related vehicle fleet data. The Field Administration and Logistics Division further stated that its Surface Transport Unit would ensure in the future that peacekeeping missions closely monitor and report the monthly status of their United Nations-owned and contingent-owned vehicles and would work closely with the Insurance, Claims and Compensation Section on the drawdown of vehicles during mission liquidations. However, the Field Administration and Logistics Division stressed that only one professional staff member is currently engaged in the day-to-day management at Headquarters of over 20,000 United Nations-owned and contingent-owned vehicles.

27. The Office of Programme Planning, Budget and Accounts stated that the Insurance, Claims and Compensation Section had begun to report fleet data regularly to the broker, who had welcomed this approach and understood it as an integral part of a premium reconciliation process. The Office of Programme Planning, Budget and Accounts advised that in the absence of reliable and timely data on fleet movements from mission to mission, there had been an agreement with the broker and the insurer that when vehicles were redeployed from an existing peacekeeping mission to a newly established mission for which no "first dollar" premium rating had yet been established, the redeployed vehicle carried its insurance with it. These arrangements implied that premiums were paid during the shipping times and were paid based on where the vehicles were originally insured (annual premium rates vary significantly from country to country). The Office of Programme Planning, Budget and Accounts, therefore,

acknowledged that this was a less than perfect arrangement, but stated that with the improvements in monitoring and reporting of the size of vehicle fleets, premiums should only be paid when and where vehicles were reported to be in service (and not while in storage or being shipped from one mission to another).

28. The Office of Internal Oversight Services appreciates that the Insurance, Claims and Compensation Section has begun to report fleet data regularly to the broker and is working with the Field Administration and Logistics Division towards a premium reconciliation. The Office of Internal Oversight Services also recognizes that the Division has taken steps to improve its monitoring system over peacekeeping vehicle fleets.

B. Inadequate data on claims

29. The audit disclosed that neither the Field Administration and Logistics Division nor the Insurance, Claims and Compensation Section maintain records on claims filed locally with the insurance company by peacekeeping missions. The only available loss statistics are prepared by the broker based on statistics provided by the insurance company itself. Since the Insurance, Claims and Compensation Section is only notified by peacekeeping missions in cases of exceptionally complex and/or disputed claims, it is not in a position to verify the accuracy of these statistics. In that regard, we were also advised by the resident auditor at the United Nations Angola Verification Mission (UNAVEM III) that the Mission did not even maintain a database on its third-party claims.

30. Thus, there is no centralized control over the settlement of claims in the field. As a result, the Insurance, Claims and Compensation Section has no independent data on claims experience under the programme that is the basis for the computation of the loss ratio, which, in turn, serves as a basis for new premiums when the policy is renewed. It is also not able to assess the service provided by the insurer on a policy-wide level.

Recommendations by the Office of Internal Oversight Services

The Field Administration and Logistics Division should ensure that all peacekeeping missions maintain a proper database on third-party claims and promptly report any deficiencies in the service provided by the insurer or its local agents to the Insurance, Claims and Compensation Section and the Section should periodically verify with the peacekeeping missions the accuracy of claims information reported by the insurance company. (AP/95/058/015,016)

31. The Office of Programme Planning, Budget and Accounts agreed to verify claims information reported by the insurance company on a sample basis with the peacekeeping missions concerned. The Field Administration and Logistics Division responded that before it could provide for appropriate direction to field missions as per the audit recommendations, it would need the advice of the Insurance, Claims and Compensation Section on information required for such a database.

C. Duplicate insurance coverage on vehicles of the United Nations Angola Verification Mission

32. The audit disclosed that UNAVEM III had purchased local liability insurance coverage for its vehicles, while the United Nations was already paying premiums for first dollar coverage under the global insurance policy.

33. UNAVEM III had purchased automobile insurance for 213 of its vehicles from a local insurance company for a total annual premium of approximately $35,000. Until June 1995, the United Nations maintained second dollar insurance coverage for the UNAVEM vehicle fleet under the global insurance policy, and the local insurance was effectively integrated with this coverage. However, in view of the low liability limits provided under the UNAVEM policy, the Field Administration and Logistics Division subsequently decided to purchase first dollar coverage under the global policy commencing 1 June 1995. The global insurance was increased to first dollar coverage, but the local insurance policy was never cancelled, thereby resulting in duplicate insurance coverage.

34. This situation indicated a lack of coordination between the mission and the Field Administration and Logistics Division. The Office of Internal Oversight Services, therefore, recommended that the Division immediately advise UNAVEM III to end the duplicate insurance coverage on UNAVEM vehicles. The Division responded that UNAVEM III had been requested to clarify its local insurance coverage and, if local coverage was still in effect, to terminate the insurance as soon as possible in favour of the first dollar coverage under the global policy.

D. High loss ratio experienced by the United Nations Peace Forces

35. A review of insurance loss statistics showed that 71 per cent of all claims and 80 per cent of total losses during the policy period 1994/95 occurred in UNPF, whose vehicle fleet represented only about 32 per cent of the total vehicles insured under the policy. Similarly, 69 per cent of all claims and 64 per cent of the total losses occurred in UNPF during the policy period 1993/94, while at that time the mission's vehicle fleet represented less than 25 per cent of the overall United Nations fleet.

36. As a consequence of this claims experience, the premium rates for UNPF vehicles (which were already the highest under the policy) were increased significantly by the insurer for the current policy period. Further, this adverse loss experience impacted on the overall premium structure of the entire insurance programme. In this regard, the auditors were informed by the Resident Auditor at UNPF that some actions had been taken by the mission to reduce the number of vehicle accidents. At the time of our audit, however, no inquiry was initiated by the Field Administration and Logistics Division or the Insurance, Claims and Compensation Section requesting UNPF to review accident claims and explain the high loss ratio or to determine how the number of accidents could have been reduced.

Recommendation by the Office of Internal Oversight Services

The Insurance, Claims and Compensation Section should monitor future claims losses experienced at peacekeeping missions and inform the Field Administration and Logistics Division accordingly of any abnormally high loss ratios for its further examination. (AP/95/058/019)

37. The Field Administration and Logistics Division and the Office of Programme Planning, Budget and Accounts shared the auditors' concerns about the high loss ratio in UNPF. The Office of Programme Planning, Budget and Accounts advised that the Insurance, Claims and Compensation Section had arranged for the insurer to collate and transmit data periodically on "large" losses and would provide the Field Administration and Logistics Division with that information. The Field Administration and Logistics Division replied that current practice placed the responsibility for vehicle safety with field missions, and it had no reason to believe that UNPF had been any less diligent than other missions in fulfilling its obligations.

IV. CONCLUSIONS

38. The United Nations is continually exposed to various types of risks that could result in losses and liabilities to the Organization. To guard against such risks, the Administration has taken out a number of commercial insurance policies that reduce or eliminate its risk exposure. The management audit by the Office of Internal Oversight Services of two major programmes for cargo insurance and motor vehicle insurance programmes confirmed that such policies have been an efficient way for the United Nations to procure global insurance coverage. Nonetheless, there are many areas in which the administration of these policies requires improvement in order to reduce costs and to provide for the insurance coverage to be taken out in a consistent and coherent manner. The administration has generally agreed to implement the recommendations by the Office of Internal Oversight Services to improve the administration of the insurance programmes, and this should result in improved insurance performance and cost savings to the Organization.

(Signed) Karl-Th. PASCHKE
Under-Secretary-General for
Internal Oversight Services

Notes

1/ No data was available at the time of our audit on the number of vehicles brought into the mission by the Rapid Reaction Force.